

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail & First-Class Package Service
Priority Mail & First-Class Package Service
Contract 18

Docket No. MC2016-129

Competitive Product Prices
Priority Mail & First-Class Package Service
Contract 18 (MC2016-129)
Negotiated Service Agreement

Docket No. CP2016-163

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST TO ADD PRIORITY MAIL & FIRST-CLASS PACKAGE
SERVICE CONTRACT 18 TO COMPETITIVE PRODUCT LIST

(May 9, 2016)

The Public Representative provides comments pursuant to Order No. 3271.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the Public Representative, on a Postal Service Request to add Priority Mail & First-Class Package Service Contract 18 to the competitive product list.²

COMMENTS

The Public Representative reviewed the instant contract, the Statement of Supporting Justification, and related financial data filed under seal with the Postal Service's Request. Based upon that review, the Public Representative concludes that Priority Mail & First-Class Package Service Contract 18 should be categorized as a competitive

¹ PRC Order No. 3271, Notice and Order Concerning the Addition of Priority Mail & First-Class Package Service Contract 18 to the competitive product list, May 2, 2016.

² Request of the United States Postal Service to Add Priority Mail & First-Class Package Service Contract 18 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, April 29, 2016 (Request).

product and added to the competitive product list. In addition, the financial work papers show, based on the Postal Service's assumptions, that Priority Mail & First-Class Package Service Contract 18 will likely meet the requirements of 39 U.S.C. § 3633 in the first year of the contract.

Product List Assignment. Pursuant to 39 U.S.C. § 3642, the Postal Service requests that Priority Mail & First-Class Package Service Contract 18 be added to the competitive product list. 39 U.S.C. § 3642 requires the Commission to consider whether "the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products." 39 U.S.C. § 3642(b)(1).

Based upon the Postal Service's assertions,³ the Public Representative concludes that the addition of the instant contract to the competitive product list is appropriate.

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; each competitive product must cover its attributable costs; and, all competitive products collectively must contribute to an appropriate share of the institutional costs. Based upon a review of the financial model, it appears the negotiated prices in the instant contract should generate sufficient revenues to cover costs during its first year.

The instant contract is expected to remain in effect for a period of three years. The Postal Service provides no data to demonstrate that the instant contract will comply with the requirements of 39 U.S.C. § 3633(a) during the three-year period of the contract. However, the Commission has an opportunity to review the financial results for the instant contract for compliance with 39 U.S.C. § 3633(a) each year of the contract in the Annual Compliance Determination.

³ *Id.* Attachment D.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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